

DEC 17 1991

CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the laws of the State of [REDACTED] on [REDACTED].

Your stated purposes are to provide for the improvement and maintenance of roads; streets, in and for the real estate development or subdivision known as [REDACTED].

Income is from dues and assessment of members. Expenditures are for road repairs, grass cutting, and miscellaneous other expenses.

Your activities primarily consist of road repairs of a private road and maintenance of the development such as painting, grass cutting, etc.

Your "Declaration of Covenants" states that the [REDACTED] is [REDACTED] percent owned by [REDACTED], [REDACTED], and [REDACTED]. [REDACTED] is currently the Director and CEO.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

In Revenue Ruling 69-280, 1969-1 C.B., 152, the Service held that an organization formed to provide maintenance of exterior walls and roofs of homeowner members in a development was not exempt as a social welfare organization. In denying exemption under Internal Revenue Code section

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date	11-29-91	12/4/91					

[REDACTED]

501(c)(4), the Service viewed the organization as operating primarily and directly for the benefit of its individual members rather than for the community as a whole.

Revenue Ruling 74-99, 1974-1 C.B. 131, explains that, to qualify for exemption under section 501(c)(4) of the Code, you must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental. It must not conduct activities directed to the exterior maintenance of private residences, and the common areas it owns and maintains must be for the use and enjoyment of the general public.

You have failed to show that you serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental. Your organization is simply an aggregation of homeowners bound together in a structured unit formed as an integral part of a plan for the development of a real estate subdivision and the sale and purchase of homes therein. Your activities consist of repairing a private roadway known as [REDACTED]; painting a bridge and road signs; and grass cutting. These are activities directed to exterior maintenance of private residences. You have a "No Trespassing" sign erected above the bridge and adjacent to [REDACTED] which is conducive to the fact that your common areas are not for members of the general public.

Based on the information submitted, you do not qualify as an organization exempt from Federal income tax under section 501(c)(4) of the Code.

In accordance with this determination, you are required to file Federal income tax returns on Form 1120. Your attention is called to Code section 528, which provides certain procedures by which qualifying homeowners associations may elect to be treated as a tax exempt organization. The enclosed Publication 588 describes the requirements for exemption under Code section 528.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, laws and any other information to support your position as explained in the enclosed Publication 892. You will be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient district office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director